

Statewatch Indiana | A hobbled march forward

Finding new things to do in the depths of the rustbelt

FORT WAYNE, INDIANA

STEVEN CHU, the energy secretary, who specialises in atomic physics, travelled on June 2nd to Fort Wayne, Indiana, which specialises in pickup trucks. General Motors (GM) had declared bankruptcy the day before, and Mr Chu was one of many cabinet members sent to cheer up the rustbelt. He toured a local firm that makes geothermal heat pumps, then announced \$50m to promote such technology. On the far side of town Orval Plumlee, the president of the local United Auto Workers, was too busy to leave the union hall. Panicked workers had been calling him non-stop.

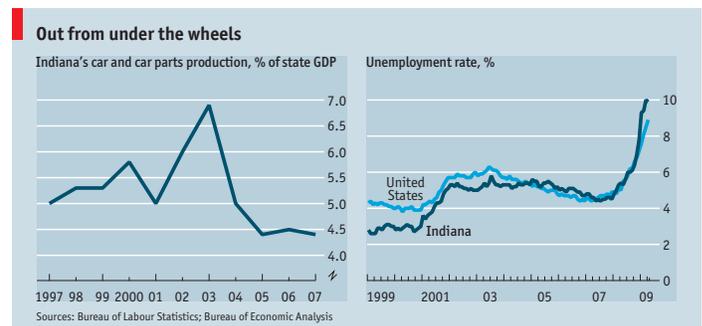
As a manufacturing giant topples, Indiana finds itself in an odd position. GM's bankruptcy will devastate Michigan, the rustbelt's feebly beating heart, and Indiana will suffer too. The state had about 80,000 workers in the car and parts manufacturing industry in 2007, the most recent numbers from the Bureau of Labour Statistics. But Indiana is not typical of the region. Before the recession the state was bustling, its unemployment rate was below the national average. Mitch Daniels, the governor, may have to tap state reserves to pass a budget, but on June 1st he insisted that "Indiana remains in vastly better shape than most states and any of our neighbours." Its economy has made progress, with one foot stuck in the past and a toe dipped in the future. It is a promising stance, though a wobbly one.

Indiana is still a laggard in many areas. Only 21% of those aged 25 and older have a college degree, compared with 28% across the country. Hoosiers' average income has failed to keep up with America's, sliding from 32nd place among the states in 1997 to 40th a decade later.

Indiana's economy is more dependent on manufacturing than any other state. But as the Big Three's clout has waned, Indiana has evolved accordingly. Less powerful unions and ample foreign investment make the state what Morton Marcus, a prominent local economist, calls "the middle finger of the South thrust into the North." Indiana's output of car and parts manufacturing grew by 31% from 1997 to 2007. Michigan's shrank by 20%. The day before GM's chief executive first asked Congress for a bail-out, Indiana celebrated the dedication of a Honda factory.

Indiana stands out in other respects, too. Unlike blighted Detroit, Indianapolis is a lively centre, with sports stadiums and a fine symphony orchestra. Each year the Indy 500 car race draws 300,000 visitors. Mr Daniels, meanwhile, is an excellent manager. He earned the state its first AAA credit rating and has sought new firms by keeping taxes low and investing in infrastructure. Though every state wants to be a hub for life sciences, Indiana really is one, home to pharmaceutical giants such as Eli Lilly and medical-device manufacturers such as Zimmer. Life sciences accounted for 23% of all job growth from 2001 to 2007.

However, the recession has knocked Indiana backwards. Lay-offs in manufacturing and construction helped push the unemployment



rate from 4.5% in December 2007, the start of the national recession, to 9.9% in April. Northern Indiana has endured the most extreme turn of fate. In parts of this lush country the world's pace slows to a trot, with horses pulling buggies of men with beards and women with bonnets. But the long arms of the recession touched even the Amish, lured to the local recreational-vehicle (RV) industry by good wages. As the RV industry collapsed Elkhart County's unemployment rate shot from 4.8% in December 2007 to 16% a year later, a leap so big that Barack Obama went there for his first trip as president. GM's fall begins a new chapter of uncertainty. One plant in Indianapolis will close. Fort Wayne's factory is among those that will stay idle for the summer. Small suppliers are likely to suffer most.

A main challenge is to help workers from the old economy adjust to the new. Spring enrolment at Ivy Tech, Indiana's system of community colleges, was up 19% over last year. A new training centre in Warsaw, south of Elkhart, is packed each day. At a recent class men huddled around a whirring machine, learning the numerical control skills needed in the world of advanced manufacturing. Shane Albright thinks Warsaw's orthopaedics firms are "probably more stable" than the RV industry that sacked him last year. It is unclear, however, whether local companies can absorb so many new workers. The growth of the life-sciences industry is promising, but it employs less than 2% of Indiana's workforce. And even with more training, there may be a mismatch between workers' skills and the sort of jobs available.

There are promising signs, nevertheless. David Johnson of Bio-Crossroads, a private effort to advance life sciences, is working with Ivy Tech and local firms to better align training programmes with the industry's needs. An electric-car company is seeking a federal grant to build a factory in Elkhart County. Old Studebaker buildings near Notre Dame are being replaced by a nanotechnology research park. Mr Daniels is not discouraged. The recent downturn, he says, "is like being the best-looking girl in school, then they called off the prom. But the music will start again."